

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SSO-00 NSCE-00 USIE-00 INRE-00  
AID-05 CEA-01 CIAE-00 COME-00 EB-07 EA-09 FRB-01  
INR-07 IO-13 NEA-10 NSAE-00 OPIC-06 SP-02 TRSE-00  
CIEP-02 LAB-04 SIL-01 AGRE-00 OMB-01 PA-02 PRS-01  
NSC-05 SS-15 STR-04 L-03 H-02 /114 W  
-----231903Z 109802 /44

O 231950Z DEC 76

FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 4783

UNCLAS SECTION 01 OF 02 OECD PARIS 37897

PASS CEA, TREASURY, FRB

E.O. 11652: N/A

TAGS: OECD, ECON

SUBJECT: DECEMBER ECONOMIC OUTLOOK: LE MONDE BREAKS  
EMBARGO

REF: OECD PARIS 39697

1. AS INDICATED REFTEL OECD NEW "ECONOMIC OUTLOOK" WAS  
DISTRIBUTED ON DEC. 21 WITH PUBLICATION EMBARGOED UNTIL  
DEC. 29. ON DEC. 23 AFTERNOON EDITION LE MONDE BROKE  
EMBARGO WITH ARTICLE BY MICHEL BOYER ON PROSPECTS FOR  
1977 WHICH DRAWS HEAVILY FROM FORECASTS CONTAINED IN  
OUTLOOK. AT OECD PRESS CONFERENCE ON OUTLOOK HELD ON  
MORNING OF DEC. 23 SECRETARIAT ANNOUNCED IT CHECKING  
ON REPORT THAT LE MONDE WOULD BREAK EMBARGO (REP FROM  
LE MONDE DID NOT ATTEND PRESS CONFERENCE). IT WAS  
AGREED THAT IF LE MONDE WERE TO PUBLISH STORY BASED ON  
OUTLOOK, OTHER PAPERS AND WIRE SERVICES COULD FOLLOW  
SUIT. FOLLOWING IS SUMMARY OF BOYER'S ARTICLE ENTITLED  
"FORECASTS FOR 1977--WORSENING OF UNEMPLOYMENT; REDUC-  
TION OF INFLATION; FALL IN EXTERNAL DEFICITS."

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2. THE YEAR 1976 FINISHED BADLY; 1977 DOES NOT LOOK  
MUCH BETTER. EVERY DAY EMPLOYMENT IS SUPPRESSED FOR  
ECONOMIC REASONS (E.G., IN STEEL AND GLASS INDUSTRIES).  
THE STATISTICAL INSTITUTE (INSEE) IN ITS END YEAR  
REPORT, UNDERLINES RISK OF STRONG RISE IN UNEMPLOYMENT,

WHICH, IF NOT PRECEDED BY DECELERATION OF INFLATION  
WOULD COMPROMISE BASIC THRUST OF BARRE PLAN.

ON DEC. 23, OECD PRESENTED ITS REPORT FOR 1977 WHICH  
WILL BE PUBLISHED IN A FEW DAYS. THIS REPORT FORECASTS  
A NEW AGGRAVATION OF UNEMPLOYMENT IN EUROPE, SLIGHT  
REDUCTION OF INFLATION AND IMPROVEMENT OF WEAK COUN-  
TRIES' CURRENT ACCOUNT POSITIONS.

CONDITION OF MOST COUNTRIES WILL DEPEND ON THE POLICIES  
PURSUED BY THE STRONG--JAPAN, FRG AND ABOVE ALL THE US.  
RETURN OF BUSINESS CONFIDENCE LINKED TO STRATEGIES  
ADOPTED BY STRONG COUNTRIES--PARTICULARLY TO STIMULA-  
TORY MEASURES WHICH CARTER ADMINISTRATION MIGHT ADOPT.

OECD OUTLOOK GIVES SOMBER IMPRESSION AND THERE IS RISK  
OF PROTECTIONIST MEASURES IN VIOLATION OF "PLEDGE"  
ADOPTED BY MEMBER COUNTRIES IN MAY 1974 (I.E., TRADE  
PLEDGE).

OECD EXPERTS EMPHASIZE THAT PAUSE IN GROWTH DOES NOT  
MEAN RECESSION; GROWTH WILL CONTINUE NEXT YEAR. NONE-  
THELESS, THE PAUSE HAS BEEN LONGER AND STRONGER THAN  
OECD HAD FORECAST IN JULY. OECD SEES REACCELERATION OF  
GNP GROWTH IN US, JAPAN AND FRG IN FIRST HALF OF 1977  
AND SOME TAPERING OFF IN SECOND HALF. THIS FORECAST  
RESTS ON ASSUMPTION THAT THESE THREE COUNTRIES WILL  
TAKE EXPANSIONARY MEASURES, AS NECESSARY, TO SUPPORT

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NSC-05 SS-15 STR-04 L-03 H-02 /114 W

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THE RECOVERY.

OECD PROPOSES STRATEGY OF "NON-SYNCHRONIZATION" OF MEMBER COUNTRY POLICIES. STRONG COUNTRIES SHOULD TAKE MODERATE REFLATIONARY ACTION (CONSISTENT WITH PRICE STABILITY); WEAK COUNTRIES SHOULD RESTRAIN DEMAND.

STRATEGY ADOPTED AT JUNE 1976 MINISTERIAL FIXED AS A REALIZABLE AND DESIRABLE OBJECTIVE TO REESTABLISH FULL EMPLOYMENT (WHILE AT SAME TIME REDUCING INFLATION) A GROWTH RATE FOR OECD AREA OF 5 PERCENT PLUS, BETWEEN 1976 AND 1980. DESPITE THE PRUDENCE OF THIS STRATEGY, OECD EXPERTS NOW RECOGNIZE THE DIFFICULTIES OF PUTTING IT INTO OPERATION IN FACE OF WEAKNESS IN PRIVATE INVESTMENT. THUS THEY RECOMMEND--IN APPROPRIATE CASES--A SECOND INJECTION OF PURCHASING POWER.

REMAINDER OF ARTICLE CITES DETAILS OF FORECASTS IN OECD OUTLOOK AND NOTES THAT RISE OF DIVERGENCE IN INFLATION RATES BETWEEN COUNTRIES IS SERIOUS AND HAS HAD REPERCUSSIONS ON EXCHANGE MARKETS.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PUBLICATIONS, ECONOMIC CONDITIONS, UNEMPLOYMENT, ECONOMIC REPORTS, EMBARGOES, ECONOMIC TRENDS, THE PRESS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 23 DEC 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976OECDP37897  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760471-0396  
**From:** OECD PARIS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19761217/aaaaaofd.tel  
**Line Count:** 153  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EUR  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** 77 OECD PARIS 39697  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** vogelfj  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 15 JUN 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <15 JUN 2004 by chengls>; APPROVED <16 DEC 2004 by vogelfj>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** DECEMBER ECONOMIC OUTLOOK: LE MONDE BREAKS EMBARGO  
**TAGS:** ECON, OECD  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006